

## Economic Conditions

### December 2002

#### Civilian Labor Force

- By historic standards, the current economic downturn in Virginia continues to be relatively mild. Virginia's unemployment rate declined by three-tenths of a percentage point in October to 3.8 percent.
- The October unemployment rate is 49 percent less than the last recession's peak unemployment rate of 7.4 percent in February 1992. The national unemployment rate of 5.3 percent in October is also significantly less than the 8.2 percent experienced during the worst of the last recession.
- 142,000 Virginia workers were unemployed in October 2002 compared with 250,800 in January 1992, the highest monthly total during the last recession.
- 10,000 *fewer* Virginians were unemployed in October than a year earlier—a 6.7 percent decrease. In addition, 13,000 *fewer* Virginians were unemployed in October than September 2002.
- Northern Virginia, which accounts for one-third of Virginia's labor force, had an unemployment rate of 2.8 percent. Five of Virginia's eight MSA's had October unemployment rates above the statewide average—Danville (6.8 percent), Bristol (5.5 percent), Lynchburg (4.6 percent), Norfolk-Newport News (4.0 percent), and Richmond-Petersburg (3.9 percent).
- Virginia's October unemployment rate was lower than all nearby states (Tennessee, Georgia, Kentucky, South Carolina, West Virginia, and North Carolina) with the exception of Maryland (3.8 percent).

		Oct. 02	Oct. 01	Oct. 01 to Oct. 02	
				Net Change	% Change
<b>Labor Force</b>	<b>VA</b>	<b>3,770,254</b>	<b>3,687,248</b>	<b>83,006</b>	<b>2.3%</b>
	<b>US</b>	<b>142,878,000</b>	<b>142,004,000</b>	<b>874,000</b>	<b>0.6%</b>
<b>Employment</b>	<b>VA</b>	<b>3,628,465</b>	<b>3,535,241</b>	<b>93,224</b>	<b>2.6%</b>
	<b>US</b>	<b>135,237,000</b>	<b>134,898,000</b>	<b>339,000</b>	<b>0.3%</b>
<b>Unemployment</b>	<b>VA</b>	<b>141,789</b>	<b>152,007</b>	<b>-10,218</b>	<b>-6.7%</b>
	<b>US</b>	<b>7,640,000</b>	<b>7,106,000</b>	<b>534,000</b>	<b>7.5%</b>
<b>Unemployment rate</b>	<b>VA</b>	<b>3.8%</b>	<b>4.1%</b>	<b>----</b>	<b>-7.3%</b>
	<b>US</b>	<b>5.3%</b>	<b>5.0%</b>	<b>----</b>	<b>6.0%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonagricultural Employment

- Nonagricultural employment declined by 26,100 jobs from September 2001 to September 2002. Compared with the last recession a decade ago, the employment decline during this downturn has been relatively mild. Nonagricultural employment reached a peak in December 2000 and bottomed out in February 2002 after declining 3.9 percent. This compares with a decline of 5.4 percent for the 1991-92 recession.
- In the past it has usually taken two to three years for nonagricultural employment to recover completely from the effects of a recession. If past experience is any guide, recovery from the current downturn should be complete by mid-summer of next year.
- Government and services were the only sectors of the Virginia economy that grew from September 2001 to September 2002, adding 3,500 and 1,600 jobs, respectively.
- The largest job losses in Virginia from September 2001 to September 2002 were in transportation and public utilities (9,900 jobs), manufacturing (8,500 jobs), construction (7,900 jobs), and wholesale and retail trade (4,200 jobs).
- Since July 1990, services has added more jobs than any other sector of the Virginia economy—423,200—and has grown at a faster rate than any other sector—56.9 percent.

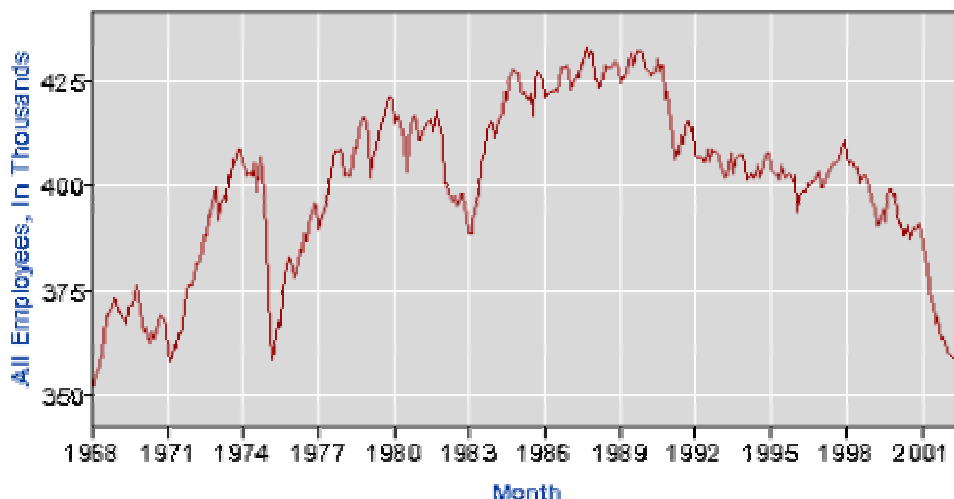
	Current				Historic			
			Sept. 01-Sept. 02				Sept. 90- Sept. 02	
	Sept. 02	Sept. 01	Net Change	%		Sept. 90	Net Change	%
<b>Total</b>	<b>3,505,600</b>	<b>3,531,700</b>	<b>-26,100</b>	<b>-0.7%</b>		<b>2,916,000</b>	<b>589,600</b>	<b>20.2%</b>
<b>Mining</b>	<b>9,900</b>	<b>10,300</b>	<b>-400</b>	<b>-3.9%</b>		<b>15,300</b>	<b>-5,400</b>	<b>-35.3%</b>
<b>Construction</b>	<b>210,800</b>	<b>218,700</b>	<b>-7,900</b>	<b>-3.6%</b>		<b>182,500</b>	<b>28,300</b>	<b>15.5%</b>
<b>Manufacturing</b>	<b>357,200</b>	<b>365,700</b>	<b>-8,500</b>	<b>-2.3%</b>		<b>429,100</b>	<b>-71,900</b>	<b>-16.8%</b>
<b>Trans. and public utilities</b>	<b>177,700</b>	<b>187,600</b>	<b>-9,900</b>	<b>-5.3%</b>		<b>151,500</b>	<b>26,200</b>	<b>17.3%</b>
<b>Wholesale and retail trade</b>	<b>761,900</b>	<b>766,100</b>	<b>-4,200</b>	<b>-0.5%</b>		<b>662,300</b>	<b>99,600</b>	<b>15.0%</b>
<b>Finance, ins., and real estate</b>	<b>193,000</b>	<b>193,300</b>	<b>-300</b>	<b>-0.2%</b>		<b>156,300</b>	<b>36,700</b>	<b>23.5%</b>
<b>Services</b>	<b>1,167,300</b>	<b>1,163,800</b>	<b>3,500</b>	<b>0.3%</b>		<b>744,100</b>	<b>423,200</b>	<b>56.9%</b>
<b>Government</b>	<b>627,800</b>	<b>626,200</b>	<b>1,600</b>	<b>0.3%</b>		<b>574,900</b>	<b>52,900</b>	<b>9.2%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Overview

- Although manufacturing employment in Virginia rebounded slightly in September, it is at its lowest level since May 1968.
- Manufacturing in Virginia has been in a state of long-term decline since reaching its peak employment of 432,500 in September 1989. It has declined 17.4 percent since then, losing 75,300 jobs, with textiles and apparel accounting for 44,000 of the total. In comparison, manufacturing declined nationally by 14.2 percent during the same period. Despite heavy employment losses, manufacturing remains Virginia's largest basic industry.
- Nationally, manufacturing peaked in June 1979 with 21.3 million employees. Since then it has lost 4.6 million jobs through September 2002.
- Manufacturing job losses fall disproportionately on Virginia's non-metropolitan communities. Although they account for just 22 percent of the state's population, they represent 36 percent of the state's manufacturing employment.
- Manufacturing employment in Virginia declined 2.3 percent in September from a year earlier. Among neighboring states, four had greater percentage losses (North Carolina, West Virginia, South Carolina, and Maryland). Three states (Georgia, Kentucky, and Tennessee) had smaller losses.

**Virginia Manufacturing Employment, 1968-2002**  
(Source: U.S. Dept. of Labor, Bureau of Labor Statistics)



## Virginia Manufacturing Employment – Durable Goods

- Durable goods lost 1,400 jobs over the past twelve months, a decline of 0.7 percent.
- Job losses were heaviest in two durable goods industries— furniture (1,800) and stone, clay, and glass (1,000). The largest percentage losses were also in furniture (9.8 percent) and stone, clay, and glass (8.0 percent).
- The only durable goods industries to add jobs over the past twelve months were transportation equipment, industrial machinery, and lumber, which grew by 1,800; 700; and 500 jobs, respectively.
- Although some manufacturing job losses have been due to the overall weakness of the economy, long-term trends are also at work. Electronic equipment has been steadily declining since 1985, largely due to the impact of foreign competition. Since 1990 alone, this industry has lost 13,400 jobs, a 38.4 percent decline, with no end in sight to the losses. Furniture, also feeling the effects of foreign competition, lost 6,800 jobs (a 29.1 percent loss) during the same period. The weight of foreign imports will fall heavily on this industry in the years ahead.
- On a brighter note, over the long-term industrial machinery is one of the few durable goods industries in Virginia to register solid job gains, adding 5,600 jobs since July 1990. This industry has been especially successful in exporting to foreign markets and has played a key role in productivity increases that have enabled manufacturers to produce more with the same or fewer workers.

	Current				Historic			
			Sept. 01–Sept. 02				Sept. 90- Sept. 02	
	Sept. 02	Sept. 01	Net Change	%		Sept. 90	Net Change	%
<b>Total manufacturing</b>	<b>357,200</b>	<b>365,700</b>	<b>-8,500</b>	<b>-2.3%</b>		<b>429,100</b>	<b>-71,900</b>	<b>-16.8%</b>
<b>Durable goods</b>	<b>187,300</b>	<b>188,700</b>	<b>-1,400</b>	<b>-0.7%</b>		<b>207,000</b>	<b>-19,700</b>	<b>-9.5%</b>
<b>Lumber</b>	<b>26,500</b>	<b>26,000</b>	<b>500</b>	<b>1.9%</b>		<b>24,400</b>	<b>2,100</b>	<b>8.6%</b>
<b>Furniture</b>	<b>16,600</b>	<b>18,400</b>	<b>-1,800</b>	<b>-9.8%</b>		<b>23,400</b>	<b>-6,800</b>	<b>-29.1%</b>
<b>Stone, clay, glass</b>	<b>11,500</b>	<b>12,500</b>	<b>-1,000</b>	<b>-8.0%</b>		<b>14,500</b>	<b>-3,000</b>	<b>-20.7%</b>
<b>Primary metals</b>	<b>9,900</b>	<b>9,900</b>	<b>0</b>	<b>0.0%</b>		<b>11,400</b>	<b>-1,500</b>	<b>-13.2%</b>
<b>Fabricated metals</b>	<b>17,200</b>	<b>17,700</b>	<b>-500</b>	<b>-2.8%</b>		<b>18,100</b>	<b>-900</b>	<b>-5.0%</b>
<b>Ind. machinery</b>	<b>27,700</b>	<b>27,000</b>	<b>700</b>	<b>2.6%</b>		<b>22,100</b>	<b>5,600</b>	<b>25.3%</b>
<b>Electronic equip.</b>	<b>21,500</b>	<b>22,100</b>	<b>-600</b>	<b>-2.7%</b>		<b>34,900</b>	<b>-13,400</b>	<b>-38.4%</b>
<b>Trans. equip.</b>	<b>41,900</b>	<b>40,100</b>	<b>1,800</b>	<b>4.5%</b>		<b>45,100</b>	<b>-3,200</b>	<b>-7.1%</b>
<b>Instruments</b>	<b>10,300</b>	<b>10,800</b>	<b>-500</b>	<b>-4.6%</b>		<b>10,000</b>	<b>300</b>	<b>3.0%</b>
<b>Misc. mfg.</b>	<b>4,200</b>	<b>4,200</b>	<b>0</b>	<b>0.0%</b>		<b>3,100</b>	<b>1,100</b>	<b>35.5%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Manufacturing Employment – Nondurable Goods

- Nondurable goods lost 8,500 jobs over the past 12 months, a decline of 2.3 percent.
- Tobacco products added 800 jobs over the past year and printing added 100. Petroleum/leather remained the same. All other nondurables lost jobs.
- The heaviest job losses of the past twelve months were in textiles, apparel, rubber and plastics, paper, chemicals, and food products, which lost a combined total of 7,900 jobs.
- The long-term prospects for several of Virginia's nondurable goods industries are particularly poor. Textiles and apparel, reflecting national trends, have been battered by foreign imports. Both industries have lost jobs since the early 1970s with combined losses totaling 61,000 jobs. However, almost two-thirds of these jobs were lost since 1990. Given current trends the apparel industry will likely cease to exist as a viable industry in Virginia within 5 to 10 years.
- Virginia's chemical industry, which peaked at 47,300 employees in 1968, has also been in long-term decline. Since then it has lost 28,200 jobs, 10,800 since 1990 alone.

	Current				Historic			
			Sept. 01–Sept. 02				Sept. 90- Sept. 02	
	Sept. 02	Sept. 01	Net Change	%		Sept. 90	Net Change	%
<b>Total manufacturing</b>	<b>357,200</b>	<b>365,700</b>	<b>-8,500</b>	<b>-2.3%</b>		<b>429,100</b>	<b>-71,900</b>	<b>-16.8%</b>
<b>Nondurable goods</b>	<b>169,900</b>	<b>177,000</b>	<b>-7,100</b>	<b>-4.0%</b>		<b>222,100</b>	<b>-52,200</b>	<b>-23.5%</b>
Food products	38,800	39,100	-300	-0.8%		37,200	1,600	4.3%
Tobacco products	9,700	8,900	800	9.0%		13,700	-4,000	-29.2%
Textiles	19,200	23,600	-4,400	-18.6%		41,000	-21,800	-53.2%
Apparel	8,000	9,300	-1,300	-14.0%		27,400	-19,400	-70.8%
Paper	15,500	16,000	-500	-3.1%		16,900	-1,400	-8.3%
Printing	36,500	36,400	100	0.3%		35,500	1,000	2.8%
Chemicals	19,000	19,400	-400	-2.1%		29,800	-10,800	-36.2%
Rubber/plastics	22,300	23,300	-1,000	-4.3%		18,200	4,100	22.5%
Petroleum/leather	900	900	0	0.0%		2,400	-1,500	-62.5%

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Virginia Nonmanufacturing Employment – Selected Industries

- Although manufacturing is still by far Virginia's largest basic industry, several basic nonmanufacturing industries have had an increasingly significant impact on the Virginia economy, including communications, business services, and engineering and management services.
- These three industries grew significantly faster than nonagricultural employment as a whole since 1990 with business services leading with a 90.7 percent increase, followed by engineering and management services, 54.1 percent, and communications, 26.9 percent. This compares with 20.2 percent employment growth for nonagricultural employment during the same period.

	Current				Historic			
			Sept. 01-Sept. 02				Sept. 90-Sept. 02	
	Sept. 02	Sept. 01	Net Change	%		Sept. 90	Net Change	%
<b>Nonmanufacturing</b>	<b>3,148,400</b>	<b>3,166,000</b>	<b>-17,600</b>	<b>-0.6%</b>		<b>2,486,900</b>	<b>661,500</b>	<b>26.6%</b>
<b>Communications</b>	<b>57,000</b>	<b>60,300</b>	<b>-3,300</b>	<b>-5.5%</b>		<b>44,900</b>	<b>12,100</b>	<b>26.9%</b>
<b>Business services</b>	<b>313,500</b>	<b>323,400</b>	<b>-9,900</b>	<b>-3.1%</b>		<b>164,400</b>	<b>149,100</b>	<b>90.7%</b>
<b>Engineering and management svcs</b>	<b>147,300</b>	<b>141,600</b>	<b>5,700</b>	<b>4.0%</b>		<b>95,600</b>	<b>51,700</b>	<b>54.1%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Consumer Price Index

- The Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2 percent in October. On a seasonally adjusted basis the CPI-U also increased 0.3 percent in October.
- The index for energy increased at a 14.2 percent seasonally adjusted annual rate in the first ten months of 2002. The annual rate increase for petroleum-based energy was 31.8 percent.
- For the first ten months of 2002, the CPI-U rose at a seasonally adjusted annual rate of 2.7 percent. This compares with a 1.6 percent increase for all of 2001.

Current			Historic		
	% Change, Sept. 02 to Oct. 02	% Change Oct. 01 to Oct. 02	% Change Oct. 90 to Oct. 02	% Change Oct. 80 to Oct. 02	% Change Oct. 70 to Oct. 02
<b>Oct. 02</b>					
<b>181.3</b>	<b>0.2%</b>	<b>2.0%</b>	<b>35.8%</b>	<b>113.8%</b>	<b>360.2%</b>

Source: U.S. Dept. of Labor, Bureau of Labor Statistics.

## Finance

- The federal funds rate was lowered on November 6<sup>th</sup> to 1.25 percent, the first rate drop since mid-December of last year. One of the most frequently quoted and misunderstood financial indicators, the federal funds rate is at its lowest level in more than four decades.
- The Dow Jones Industrial Average, S&P 500, and NASDAQ are currently 24 percent, 39 percent, and 71 percent, respectively, below their all-time highs of almost three years ago.

	<b>Dec. 02</b>	<b>% Change, 1 Month</b>	<b>% Change, 3 Months</b>	<b>% Change, 6 Months</b>	<b>% Change, 1 Year</b>
<b>DJIA</b>	<b>8863</b>	<b>4.1%</b>	<b>6.7%</b>	<b>-8.7%</b>	<b>-9.2%</b>
<b>S&amp;P 500</b>	<b>935</b>	<b>3.8%</b>	<b>6.5%</b>	<b>-10.2%</b>	<b>-17.3%</b>
<b>NASDAQ</b>	<b>1485</b>	<b>9.1%</b>	<b>17.5%</b>	<b>-5.0%</b>	<b>-22.0%</b>

	<b>Dec. 02</b>	<b>June 02</b>	<b>Dec. 01</b>
<b>Federal funds rate</b>	<b>1.25%</b>	<b>1.75%</b>	<b>2.00%</b>
<b>Treasury – 5 year</b>	<b>3.30%</b>	<b>4.34%</b>	<b>4.00%</b>
<b>Treasury – 10 year</b>	<b>4.22%</b>	<b>5.04%</b>	<b>4.70%</b>
<b>Bank prime loan rate</b>	<b>4.25%</b>	<b>4.75%</b>	<b>5.00%</b>

Note: Data is for the first business day of the month.

Source: Reuters and the Board of Governors of the Federal Reserve System.

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